GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

Energy, Infrastructure & Investment Department - Development of Non-Major Ports in AP State – Development of Greenfield Non-Major Port at Bhavanapadu in Srikakulam District under PPP mode (DBFOT) – Award of the Port project to M/s. Adani Ports & SEZ Ltd and approval of the Concession Agreement – Orders – Issued.

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ENERGY, INFRASTRUCTURE & INVESTMENT (PORTS.I) DEPARTMENT

G.O.MS.No. 3 Dated: 12-02-2018.

Read the following :

1. G.O.Ms. No.2, E,I&I (Ports.I) Dept., dated 13-05-2015
2. Letter No. INCAP/Dev. of Bhavanapadu Port/383/2011-12, dated 28.10.2015 from the VC&MD, INCAP, Hyderabad.
3. Govt Letter No.635/Ports.I/2015., E,I&I Dept., dated 16-05-2016 & 28-10-2016
4. Letter No.INCAP/D/Dev.of Bhavanapadu Port/383/2011-12., Dt.24-12-2016 from the VC&MD, INCAP, Hyderabad.
5. Govt Letter No.635/Ports.I/2015-3, E, I&I Dept., dated 06-01-2017.
6. O.M No.II/20034/129/2016-IS-II, Dated 02-02-2017 from the Under Secretary to Govt. of India, Ministry of Home Affairs, New Delhi.
7. Letter No.DoP/D2/669/2017, dated 10-03-2017 from the Director of Ports, AP, Kakinada.
8. Letter No.INCAP/D/Dev.of Bhavanapadu Port/383/2011-12, Dated 02-03-2017&03-05-2017 from the VC&MD, INCAP, Hyderabad.
9. Council Resolution No.4/2018, dated 24-01-2018.

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ORDER:

Government of Andhra Pradesh as a matter of Policy to develop Non-Major Ports in the State have taken up the proposal of development of Greenfield Port at Bhavanapadu, Srikakulam District under PPP mode Design, Build, Finance, Operate and Transfer (DBFOT).

2. The Indian Ports Association (IPA), New Delhi was entrusted with the work of preparing the Techno Economic Feasibility Report (TEFR) for the proposed Non-Major Port at Bhavanapadu in 2011 through the Vice Chairman & Managing Director, Infrastructure Corporation of Andhra Pradesh Ltd (INCAP), Hyderabad as the INCAP is the Transaction advisor for the Government in structuring port proposal and also preparing development business plans for generating additional revenue in the Port sector. After detailed discussions with Indian Ports Association, New Delhi and Director of Ports, the Vice Chairman & Managing Director, Infrastructure Corporation of Andhra Pradesh Ltd has finalized the Feasibility Report in respect of development of Bhavanapadu Port.

3. In order to further process the development of the project, Government vide G.O. first read above have constituted a Technical Committee to deal with review and approval of Expression of Interest (EOI) Documents and selection of Technical Consultants and approval of Technical reports i.e. feasibility reports, TEFR, Detailed Project Report and Environmental Impact Assessment (EIA) reports etc. prepared by the Technical Consultants and Empowered Committee to review bidding documents for selection of developer, such as Request for Qualification, Request for Proposal & Concession Agreement and shall make recommendations for selection of developers.

4. Infrastructure Corporation of Andhra Pradesh (INCAP) was nominated as the Nodal Agency for conducting an open competitive bidding process for selection of a developer for the project on behalf of the project proponent.

5. Accordingly, an Expression of Interest (EoI) Notification was published on 14-02-2015 by INCAP inviting proposals from interested developers. In response to the EoI, 15 (Fifteen) applications were received and out of the 15 (Fifteen) applicants, 12 (Twelve) applicants were pre-qualified for the Request for Qualification (RFQ) stage. Out of 5 (five) applications received, 3 (Three) applicants qualified for the Request for Proposal (RFP) stage. At the RFQ stage, technical and financial capacities of the applicants were assessed.

6. Based on the discussions with the potential bidders, the Authority and the transaction agency undertook additional technical studies and Coastal Regulatory Zone (CRZ) studies for better project preparedness.

7. Only 1 (One) Bid from M/s Adani Ports & SEZ (APSEZ) was received by the bid due date of the 3 qualified bidders. The Bid was opened by the Technical Committee, pending Security Clearance, on 16-01-2017.

8. The Security clearance for M/s Adani Ports & SEZ has been received from the Ministry of Home Affairs, GoI, vide reference 6th read above.

9. The Technical Committee reviewed the approval of EoI Documents, Feasibility Report, TEFR, DPR, EIA reports etc. prepared by the Technical Consultants and observed that the Government directed M/s PWC Pvt. Ltd. to assess a workable revenue share for the Government. Based on the discussions of the Technical Committee, assessment of benchmarking against other awarded Mon-Major ports in Andhra Pradesh, the following points were submitted for consideration of the Empowered Committee:

- As M/s Adani Ports & SEZ has submitted the bid expecting competition from 2 other bidders, the bid submitted by M/s Adani Ports & SEZ may not be considered as a sole bid for all intents and purposes.
- Based on the recent experience in bidding of PPP projects in India and Andhra Pradesh, considering the extensive port development and operation experience of M/s.Adani Ports & SEZ and in the essence of time, a rebid of the project may not be ideal.
- However, the quoted revenue share of 0.5% by M/s Adani Ports & SEZ is not acceptable since as per benchmarking of other awarded PPP Non-Major ports of Andhra Pradesh, the revenue share ranges from 2.1% to 2.6%.
- Based on the financial analysis, it is found that a revenue share of 2.28% is realistic and optimal. At this revenue share, Government of Andhra Pradesh would be able to achieve a Zero Net Project Value (NPV) for a Concession Period of 33 years. Any extension in the Concession Period (to 43 years or 53 years) will result in a positive NPV for the Government.
- Government of Andhra Pradesh can further improve their project Net Project Value (NPV) by reducing their estimated capital expenditures from the estimated INR 317 crore.
- Although the cost for land acquisition is being borne upfront by the Concessionaire, the Authority shall retain ownership of the land throughout the Concession period.
- Apart from the financial benefit to the Government, the project is also likely to have multifold economic and social benefits through job creation, increased industrialization etc. to Srikakulam District which is an underdeveloped district in the State.
- The aforementioned 2.28% of revenue share, computed in the detailed financial analysis, may be a guiding value for negotiations with the bidder

10. The Empowered Committee met on 26-04-2017 for selection of developer for development of Greenfield port at Bhavanapadu, Srikakulam District. In line with the Andhra Pradesh Port Policy, it was decided that negotiations will be undertaken with the sole bidder (M/s Adani Ports & SEZ) to obtain better terms for the Authority. The following are the observations of the Empowered Committee:

I. As the revenue share of 0.5% was lower than the revenue share in other greenfield non-major ports in Andhra Pradesh, M/s Adani Ports & SEZ were invited for negotiation of the bid submitted.

II. The representative of M/s Adani Ports & SEZ informed the Empowered Committee that the revenue share of 0.5% was quoted because of the following features of the project:

i. There might be significant delay in land acquisition for the project. There are unresolved court cases on parcels of the identified site

ii. Cost of land acquisition is to be borne upfront by the Concessionaire

iii. Bhavanapadu port has limited waterfront of ≈2.5 kms as against more than 4 kms waterfront in other ports

iv. The traffic potential estimated for the project largely depends on the power plant projects in Srikakulam district. However, these projects are cancelled or indefinitely delayed

v. The Gunupur – Tirubali rail line which is essential for tapping into cargo from Chhattisgarh may not be one of the priority projects of Government of India and Government of Odisha.

III. The representative of M/s Adani Ports & SEZ has submitted a revised and final revenue share of 2.3% and they have informed that any higher revenue share would not be feasible for the bidder and submitted their financial offer vide their letter dated 26-04-2017.

IV. The revised revenue share of 2.3% was found to be in line with the optimal revenue share calculated as per the financial analysis and also in the range of the revenue share in other awarded Greenfield non-major port projects in Andhra Pradesh i.e. 2.1%-2.6%.

11. In this connection, the Vice Chairman & Managing Director, Infrastructure Corporation of Andhra Pradesh (INCAP) vide his letter 8th read above while communicating the copy of the revised financial bid submitted by M/s. Adani Ports & SEZ Ltd., has requested the Government for further instructions on selection of developer for development of the said project. In this regard, M/s.INCAP has submitted the final Draft Concession Agreement (DCA), duly incorporating all the amendments discussed and agreed during the bid process, to the Government for approval.

12. Government after careful examination of the matter hereby award the Project of Development of Greenfield Non-Major Port at Bhavanapadu in Srikakulam District under PPP mode Design, Build, Finance, Operate and Transfer (DBFOT) to M/s.Adani Ports & SEZ Ltd.

13. Government approves the Concession Agreement for implementation of the Bhavanapadu Port Project for the Concession Period of Thirty Three (33) years extendable by 2 stretches of 10 years each. Government also approves the Revenue Share offered by M/s.Adani Ports & SEZ Ltd to Government which is as follows;

(i) Years 1- 30 post Commercial Operations Date (COD): 2.3% of gross revenue

(ii) Years 31– 40 post Commercial Operations Date (COD) : 2 times (i.e. 4.6%) of gross revenue

(iii) Years 41–50 post Commercial Operations Date (COD) : 4 times (i.e. 9.2%) of gross revenue;

14. The Director of Ports, Kakinada and the Chairman & Managing Director, Infrastructure Corporation of Andhra Pradesh (INCAP) shall take further necessary action in this regard following due procedure.

15. This order issues with the concurrence of Finance Department vide U.O.No.29024/18/2017- Finance (PPPs&CRDA) Department, dated 11-05-2017 & 12-02-2018.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

AJAY JAIN
PRINCIPAL SECRETARY TO GOVERNMENT

To
The Director of Ports, AP, Kakinada
The Chairman & Managing Director, INCAP, Vijayawada.
M/s.Adani Ports & SEZ Ltd., "Adani House", Shrimali Society,
Navrangapura, Ahmedabad, Gujarat
Copy to
The Secretary, MoS, GoI, New Delhi.,
The AG., AP., Hyderabad
The Pay & Accounts Officer, AP, Vijayawada
The Finance Dept.,
The Law (h) Dept.,
The GA (Cabinet) Dept.,
PS to Prl.Secretary to C.M.,
PS to Prl Secretary, E, I&I Dept.,
Sf/Sc (W.r.t.C.No.635/Ports.I/2015)

// FORWARDED :: BY ORDER //

SECTION OFFICER